

## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Westby-Coon Valley State Bank, Westby, Wisconsin** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **February 27, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

**INSTITUTION-S RATING:** This institution is rated **Satisfactory**.

The Westby-Coon Valley State Bank's geographic distribution of its credit applications and extensions demonstrates a reasonable penetration of all segments of its local community. The bank originated a substantial majority of its mortgage and consumer loans within its assessment area. Its loan-to-deposit ratio exceeds standards for satisfactory performance, and its assessment area meets the definition and purpose of the CRA, and does not arbitrarily exclude any low-income or moderate-income areas or residents that it would reasonably be expected to serve.

The following table indicates the performance level of **Westby-Coon Valley State Bank** with respect to each of the five performance criteria.

| <b>SMALL INSTITUTION<br/>ASSESSMENT<br/>CRITERIA</b>                                 | <b>WESTBY-COON VALLEY STATE BANK<br/>PERFORMANCE LEVELS</b> |   |   |
|--|---|---|---|
|  | <b>Exceeds Standards for<br/>Satisfactory Performance</b>   | <b>Meets Standards for<br/>Satisfactory Performance</b> | <b>Does Not Meet Standards<br/>for Satisfactory<br/>Performance</b> |
| Loan-to-Deposit Ratio  | X   |   |   |
| Lending in Assessment Area   | X   |   |   |
| Lending to Borrowers of<br>Different Incomes and to<br>Businesses of Different Sizes |   | X   |   |
| Geographic Distribution of<br>Loans  |   | X   |   |
| Response to Complaints   | No complaints were received since the previous examination. |   |   |

**DESCRIPTION OF INSTITUTION**

The Westby-Coon Valley State Bank, with total assets of \$70.4 million as of December 31, 1995, is a subsidiary of Fortress Bancshares Incorporated, a multi-bank holding company located in Hartland Wisconsin. The bank has its main office in Westby, approximately 35 miles southwest of LaCrosse, with one full-service branch office located in each of the towns of Coon Valley, Chaseburg and West Salem. The bank's main office and two of the branch offices are located in Vernon County, and one branch office, which opened in August 1994, is located in LaCrosse County.

The bank's primary competitors include: Westby-Coop Credit Union, Westby; State Bank of Viroqua; First National Bank in Viroqua; and a branch office of First Federal Savings Bank LaCrosse-Madison, located in Viroqua. All competitors offer similar products and services as the bank and are all located within 10 miles of the main office or a branch office of the bank.

The bank offers deposit account services and mortgage, consumer and commercial loans. Residential mortgage loans include conventional loans with financing up to 85% loan-to-value, construction, home improvement and housing rehabilitation loans. Consumer loan products consist of automobile, personal unsecured, and student loans (through Sallie Mae). The bank also makes loans to small businesses and farmers. Programs in which the bank participates to further meet community credit needs include FmHA, Wisconsin Housing and Energy Development (WHEDA) and SBA. There are no apparent factors relating to the bank's financial size and condition, products offered, prior performance, legal impediments, or local economic conditions that would prevent the bank from meeting various credit needs.

**DESCRIPTION OF BANK'S ASSESSMENT AREA**

The bank's assessment area consists of Vernon County and a portion of LaCrosse County. These two contiguous, rectangular areas contain the bank's offices. Since the opening of the branch office in August 1994, the bank has redefined its assessment area to include two census tracts in the LaCrosse County Metropolitan Statistical Area (MSA).

The Vernon County portion of the bank's assessment area includes the townships of Bergen, Hamburg, Coon, Christiana, Clinton, Genoa, Harmony, Jefferson, Sterling, Franklin, Viroqua, and Webster. The LaCrosse portion of the assessment area includes the townships of Hamilton and Barre.

According to the Federal Reserve Bank Community Lending Analysis System (CLAS), the total population of the assessment area is 25,604 residents, with less than 1 percent of the population being minority. The assessment area includes two census tracts and five block numbering areas (BNA). There are no low-income or moderate-income census tracts in the assessment area. However, there are two moderate-income BNAs in the assessment area. The CLAS data revealed the assessment area has a median family income of \$30,048 compared to \$35,082 for the State of

Wisconsin. Approximately 42.4% of the families within the assessment area have incomes considered low-income or moderate-income.

Agriculture plays a major role in the local economy, dairy farming and the cash crops of corn, soybeans, and tobacco comprising the largest percentage of farming operations in Vernon County. Residents not engaged in agriculture commute to LaCrosse to work for large businesses or work for smaller industries located in the Westby area.

The major employers in the assessment area are: West Salem Plastics Company (decorative plastic injection molding and automotive parts) located in West Salem and employing 300, Globe Building Materials, Inc. (roofing dry felt) located in Coon Valley and employing 120, and Webster Industries Inc. (millwork and furniture parts) located in Westby and employing 75. Other area employers and their respective number of employees include: The Trane Company (heating, air conditioning, and building automation equipment) in LaCrosse with 2,500 employees, Heileman Brewing Co., Inc. (beer) in LaCrosse with 2,000 employees, and LaCrosse Footwear, Inc. (outdoors man, iceman, duralite) in LaCrosse with 800 employees.

The CLAS data revealed the unemployment rate for the assessment area was 5% as of the 1990 U.S. census data, while the State of Wisconsin had 5.2% unemployment rate.

Approximately 82% of the housing stock in the assessment area consists of single-family homes, which have a median value of \$52,387 and a median age of 27 years. Contacts within the community revealed, government guaranteed loans for farmers, home improvement loans, and educational services to prospective home buyers are needed in the community. The bank offers various government guaranteed loan programs and home improvement loans.

The bank's assessment area consists of one or more contiguous political subdivisions, contains all geographies where it has offices and consists only of whole census tracts or block numbering areas.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank is in compliance with the substantive provision of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act.

### Loan-to-Deposit Ratio

An analysis of the bank's Consolidated Report of Condition throughout the seven quarter review periods disclosed an average loan-to-deposit ratio of 77.80%. This ratio is considered to exceed expectations for satisfactory performance, given the bank's size, financial condition, and assessment area credit needs. This ratio is higher than the average ratio for the bank's peer group (all insured commercial banks having assets between \$50 million and \$100 million with three or more banking offices located in a non metropolitan area) which was 65.01%.

### Lending in Assessment Area

The examiners performed a review of the bank's loan activity since the previous examination by reviewing the bank's report of mortgage, consumer and commercial loan originations, which is maintained by zip code. This data revealed 227 or 79% of the 287 residential mortgage loans were originated within the bank's assessment area. Additionally, 793 or 71% of the 1,110 consumer loans originated were to borrowers within the bank's assessment area. It was also noted that although the bank originated 100 or 94% of its 106 indirect consumer loans outside of the assessment area, the majority of the consumer loan activity was within the assessment area.

The bank generally conducts a geographic analysis of its loan portfolio by its corresponding zip code report. Results are reported to senior management. The most recent analysis was performed on February 15, 1996. Results of the bank's analysis revealed that approximately 70% of the total loan volume was originated within the bank's assessment area as of December 31, 1995.

The examination loan sample of approved applications was reviewed regarding lending activity within the assessment area. The examination loan sample revealed the following:

| LOAN TYPE      | TOTAL<br>SAMPLED | WITHIN THE<br>ASSESSMENT<br>AREA | PERCENT OF TOTAL |
|----------------|------------------|----------------------------------|------------------|
| Single Payment | 20               | 14                               | 70%              |
| Installment    | 20               | 15                               | 75%              |
| Real Estate    | 12               | 8                                | 67%              |
| Commercial     | 20               | 15                               | 75%              |
| <b>TOTAL</b>   | 72               | 52                               | 72%              |

The examination loan sample further supports the fact that a substantial majority of the bank's loan activity is within the assessment area. Based upon this review and the information provided by management, the bank exceeds the standards for satisfactory performance in relation to loan originations within its assessment area.

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Although a small portion of the bank's assessment area is located within an MSA, Home Mortgage Disclosure Data was not available at the time of the examination in order to ascertain the amount of loan activity from low-income or moderate-income individuals. According to the CLAS data, 42% of the households within the assessment area were considered low-income or moderate-income. Noting from above, the bank originates the majority of its loans within its assessment area. The examiners conducted an analysis of the examination loan sample of originated loans regarding lending activity based upon borrower income classifications to ascertain whether loans were originated throughout different income ranges. The analysis revealed the following information, with low-incomes at or below \$15,024, moderate-incomes ranging from \$15,025 to \$24,038, middle-incomes ranging from \$24,039 to \$36,058, and upper-incomes at or above \$36,058:

| <b>Loan Type</b> | <b>Low-Income<br/>Total Amount/<br/>Number of loans</b> | <b>Moderate-Income<br/>Total Amount/<br/>Number of loans</b> | <b>Middle-Income<br/>Total Amount/<br/>Number of loans</b> | <b>Upper-Income<br/>Total Amount/<br/>Number of loans</b> |
|------------------|---|--|--|---|
| Real Estate      | \$0/0   | \$25,000/1   | \$0/0  | \$467,634/11  |
| Installment      | \$21,068/8  | \$5,119/3  | \$4,500/1  | \$20,286/2  |
| Single Payment   | \$2,000/1   | \$0/0  | \$0/0  | \$0/0   |
| Total            | \$23,068/9  | \$30,119/4   | \$4,500/1  | \$487,920/13  |

The results of the analysis of the 27 loan applications sampled, in which income figures could be obtained, were the majority of the loans from the sample were originated to upper-income (13) and low-income (9) borrowers. The majority of the dollar volume was originated to upper-income (\$487,920) and moderate-income (\$30,119) borrowers. The sample indicated a reasonable level of lending among the various income segments of the bank's community.

According to management, the average revenue for farms in the area is \$100,000 to \$125,000. While reviewing the bank's zip code report, it was noted that the average size of an agricultural real estate loan, since the previous examination, was \$70,399, and the average size of an agricultural loan to finance agricultural production was \$20,561. Management also stated that the business loans originated within their community are considered small business loans, due to the activities in the area and the operations of the bank. The average size of a commercial real estate loan, since the previous examination was \$91,061, and the average size of a nonfarm nonresidential loan was \$25,131. According to community contacts, government guaranteed

agricultural and business loan programs are very beneficial to the community. It was noted that the bank participates in FmHA, SBA, and WHEDA programs. As of the examination, those loan programs at the bank totaled \$2.1 million, \$1.1 million, and \$57,000, respectively.

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes.

### **Geographic Distribution of Loans**

According to the information supplied by the CLAS data, there are two BNAs that are considered moderate-income. The bank originated approximately 52 mortgage loans, or 23% of the 227 mortgage loans originated within the assessment area, in the moderate-income BNAs. Additionally, the bank originated approximately 189 consumer loans, or 24% of the 793 consumer loans originated within the assessment area, within the moderate-income BNAs. This activity appears reasonable, given the number of moderate-income areas within the assessment area. Two BNAs, 29% of the assessment area, are considered moderate-income and three BNAs or 57% are considered middle income. The majority of the loans were granted in middle-income areas. It was noted that the majority or 59% of the assessment area's population was also in these middle-income areas, along with 61% of the owner occupied housing units. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Although there were no areas of the assessment area that appeared to have no loan activity, it was noted that the majority of the loans are located around the bank's offices.

### **Response to Substantiated Complaints**

No complaints were received by the bank regarding its CRA performance since the previous examination.